

TESTIMONY OF SECRETARY OF COMMERCE

WILLIAM M. DALEY

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Mr. Chairman and distinguished members of the Committee, it is my pleasure to be here today, along with Ambassador Barshefsky, to discuss the enormous importance of international trade to our economy and to our future. I am delighted to be able to share with you today how the Department of Commerce helps American firms, workers, communities and consumers take advantage of and benefit from global economic opportunities. Our mission at Commerce is simple: to ensure that American firms and workers prosper here at home by participating in the fast-growing world economy. We do this by focusing our trade efforts in three areas:

undertaking a wide range of trade promotion activities to ensure that our firms and workers are able to take advantage of market-openings created by our bi-lateral and multilateral negotiations;

working to ensure the competitiveness of the United States in the world's economy by **enforcing our existing trade laws** to protect American industry from unfair competition and by **streamlining our export control system** to better facilitate exporting without harming national security; and

working closely with the Office of the U.S. Trade Representative (USTR) to **help development of trade policy and to support trade negotiations.**

Today, I would like to outline the five priorities I have set for meeting these important goals.

The Critical Importance of International Trade

At the outset, let me say that trade is absolutely critical to our economy. The time has long since passed when American companies bought and sold most of their products here at home. Workers, students, entrepreneurs and families must understand that their prospects are enhanced, not diminished, by exporting. It is critical that all Americans realize that as markets grow overseas, becoming ever more sophisticated, they will generate greater demand for goods and services -- American goods and services. This means that here at home, U.S. firms and workers will prosper, American jobs and paychecks will grow, and every American community will reap the rewards. But this can only happen if America is engaged in global commerce, meeting this growing worldwide demand for the high quality goods and services our workers are famous for.

Let me take a moment to review with you some eye-opening statistics that show why exporting, in particular, is now so critical to the long-term health of our economy:

Over the past four years, exports have accounted for one-third of total U.S. economic growth, with export-related jobs growing faster than total employment;

In 1970, the value of trade to our economy equaled 11 percent of America's total GDP. Today, it accounts for almost 25 percent;

Last year, more than 11 million jobs depended on exports.

By the year 2000, we project that U.S. exports will exceed a trillion dollars.

What this means to the average American is that his or her company will perform better if that company makes a commitment to export. Not only do these firms pay higher wages -- 13-18 percent more -- but recent studies have shown that exporting firms experience 20 percent faster employment growth and are nine percent less likely to go out of business. The lesson is clear, the more our economy shifts into exporting sectors, the more prosperous our companies will be, workers will get paid more, and communities will be more stable as a result.

And we expect global demand for American goods and services to accelerate, not slow down. Political change over the past decade has allowed many nations around the world to embrace democratic institutions and free market reforms. In turn, citizens in these countries are demanding more and better services. Due to these changes, we believe that we have seen only the tip of the iceberg for global trade opportunities. Over the next decade, we fully expect that world trade will grow at three times the rate of the U.S. economy. For some perspective, we estimate that more than half of the world's population lives a two-days walk from a telephone -- just imagine the kinds of opportunities this bodes for the U.S. telecommunications industry alone.

Last year, the developing world imported over \$1 trillion in manufactured goods from industrialized countries, and as infrastructure needs in these nations grow, the demand for U.S. capital goods will grow as well. The World Bank estimates that \$2 trillion worth of infrastructure projects will be built in Asia and Latin America alone over the next decade. Indeed, demand by the Big Emerging Markets (BEMs) countries⁽¹⁾ is growing faster than we had previously estimated.

The BEMs, as a group, currently import almost as much as Japan and the European Union (EU) combined, accounting for 44 percent of the dollar growth in world imports between 1990 and 1995. We expect that by the year 2000, U.S. exports to the BEMs will surpass those to Japan and the EU.

But Foreign Competition is on the Rise

But even as American firms and workers look to take advantage of the tremendous opportunities presented by the global economy, they are confronted by foreign competition which can be unfair and trade distorting. Let me be clear, the competitive global economic environment can be a brutal one because so much is at stake. Foreign companies recognize as well as American firms that their future prosperity and the prosperity of their workers rests on their ability to win these important contracts overseas. They recognize, as do we, that getting in on the ground floor will help them ensure a dominant market presence leading to long-term downstream exports.

These large, foreign-based firms are often assisted by their governments -- helping them to win the deals which will ensure long-term market presence and jobs in their home countries. These kinds of assistance can take many forms. They range from the use of economic and political pressure tactics -- like appealing to regional unity -- to the more direct use of government-to-government lobbying when heads of state and ministers from G-7 countries lead trade missions to promote their countries' firms in overseas markets. Let me share with you some examples:

Just last month, President Chirac of France, accompanied by four cabinet ministers, led 20 businessmen on a five nation tour of South America to promote French exports to the region and to pitch the advantages of closer trade ties with Europe over the United States. This mission to South America follows similar trips to the region by the Germans, Japanese and British. Chirac also led a mission to Japan last November to boost Airbus sales to Japanese airlines;

Last January, Prime Minister Major visited India, Pakistan and Bangladesh to boost British trade. Major was accompanied by senior executives of British Airways, British Telecom and British Aerospace; and

Prime Minister Kohl led a mission last November to two emerging markets in Asia -- the Philippines and Indonesia. While in Indonesia, the Germans signed 25 agreements worth \$1 billion including major deals involving shipping and insurance; in the Philippines German firms signed several agreements including a \$600 million award to Siemens to build a power plant.

And these are just some of the high-profile practices that our competitors use to ensure that their domestic firms win these ground-breaking deals. Some of their tactics are much more subtle. Take for instance the fact that, compared to most of our G-7 partners in terms of percent of GDP, the United States spends far less on trade promotion activities. In fact, our competitors spend as much as ten times what we spend and dedicate up to tens times more staff in relative terms. All of our industrialized competitors have -- and heavily utilize -- their official export credit agencies (ECCS). For instance, Japan's Ex-Im Bank supports almost one-third of total Japanese exports, France supports almost one-fifth of its exports, Spain about a tenth and Canada seven percent of their national exports. In stark contrast, the U.S. Ex-Im Bank supports only around 3 percent of U.S. exports and ranks last out of the top seven ECAs in terms of national exports supported.

Make no mistake, foreign firms are also using an array of competitive tactics including outright bribery to win deals. Last year, in our fourth annual report to Congress on the status of the National Export Strategy, we estimated that since 1994, U.S. companies have lost contracts due to bribery valued at \$11 billion dollars. Bribery and corruption are particularly pernicious, undermining democratic accountability and distorting free trade and investment. In short, bribery overseas translates directly into jobs lost here at home.

The Commerce Department's Response

We in the Clinton Administration have made it clear that our trade policy and promotion efforts are built on the simple, unwavering commitment to open markets, fairness and transparency.

As Secretary of Commerce, I have outlined five priorities that I intend to pursue to strengthen America's position in the world economy and to encourage our trading partners to adopt fair and open trade rules:

- 1) Ensuring full compliance with existing trade agreements and with laws against unfair trade practices;
- 2) Continuing an aggressive trade promotion and advocacy program on behalf of American firms competing abroad;
- 3) Encouraging small and medium-sized firms to explore overseas trade opportunities in emerging markets;
- 4) Aligning our trade policy with our foreign policy goals so that, as a force for democracy and peace, we will also help to cultivate free enterprise and the respect for law that underpins democratic institutions; and
- 5) Focusing on the next generation of commercial issues growing out of the rapid technological changes fostered by American innovation.

(1) Ensuring Full Compliance with Trade Agreements

Through the unceasing efforts of Ambassador Barshefsky and her USTR staff, aided by many dedicated professionals at the Commerce Department, the State Department, and our embassies abroad, the United States has signed 200-plus agreements in the past four years around the world. These agreements have greatly expanded America's access to global markets -- and include the conclusion of the Uruguay Round and the resulting World Trade Organization (WTO), NAFTA, the recent Information Technology Agreement and Telecom Services Agreement, and many bilateral agreements. As we continue to navigate and nurture more trade agreements, we must ensure that existing ones are fully implemented and effective. Compliance is the true litmus test for what we have achieved in our negotiations.

Last summer the Department of Commerce created a new Trade Compliance Center, in its Market Access and Compliance unit, designed to systematically, comprehensively and proactively monitor foreign compliance with trade agreements and other international standards of behavior. This bold new initiative is a major step forward in strengthening the government's ability to help American business gain maximum advantage from the opportunities available in the global marketplace.

The Center draws on the sectoral and geographic expertise of the International Trade Administration, its skilled economists, industry experts, and Commercial Service officers in U.S. embassies overseas, and its history of monitoring and enforcing trade agreements as well as on the technical expertise of other agencies within the Commerce Department such as the Patent and Trademark Office. The Center will fit with our existing enforcement activity that has produced dramatic benefits for America in such sectors as textiles, automobiles, semiconductors and aerospace products. The Center has already conducted some thirty investigations and analyses

covering a multitude of trade issues, over a wide-variety of industry sectors and involving a host of different countries. In appropriate circumstances we will recommend that USTR pursue WTO panels or section 301 actions. For example, we recently provided assistance to USTR with regard to its decision to pursue a WTO panel on Argentina's breach of its bound tariffs on footwear. Furthermore, these investigations are not limited to traditional products like footwear. We plan to ensure compliance with the intellectual property provisions of agreements and with other provisions related to the special needs of high-technology enterprises. Given the diverse areas of expertise under Commerce's roof such as the International Trade Administration, the Patent and Trademark Office, the National Telecommunications and Information Administration, and the National Institute of Standards and Technology, we have the unique expertise to meet industry's needs and to find new and synergistic responses to the problems we face.

The Center works hand-in-glove with the new enforcement unit at USTR to highlight those who fail to abide by the bilateral and multilateral agreements they have reached --and to act accordingly to assure compliance.

I expect that the new Center will greatly expand the government's ability to eliminate foreign trade barriers and open foreign markets; significantly increase our ability to help U.S. businesses resolve disputes with foreign governments over market access; and substantially increase the deterrence value of U.S. trade enforcement efforts. In short, the new Compliance Center reflects our commitment to ensure that U.S. businesses reap the full benefits of trade agreements and that foreign governments fully live up to their obligations under international laws and treaties.

Not only will Commerce monitor our partners' compliance with agreements in their markets, we will continue to vigorously enforce antidumping and countervailing duty laws here at home. I am firmly committed to the strict enforcement of our laws against unfair trade. I fully recognize that we cannot expect U.S. producers and workers to compete successfully against imported goods in the U.S. market unless we ensure that such imports are fairly traded.

We are in the process of promulgating new regulations to conform our practice to the legislation implementing the Uruguay Round. We are in the final stages of interagency clearance on the final antidumping regulations and have recently published proposed countervailing duty regulations. These new regulations are designed to provide additional clarity and guidance that will enable the Department to enforce the trade laws more vigorously and fairly. I can assure you that both sets of regulations will faithfully and accurately implement not only our Uruguay Round commitments but the instructions provided by Congress in the statute and the statement of administrative action.

(2) Aggressively Promoting and Advocating for American Business Overseas

My second priority on the trade front is to lead efforts within the Department and the Federal government to aggressively promote and advocate for American exports overseas. Our International Trade Administration and the interagency Trade Promotion Coordinating Committee, which I chair, are key to these efforts. Our promotion efforts are inextricably linked to our policy and compliance agenda: once we have created market opportunities for American firms, we want to help them take advantage of them.

Trade Missions: We're Back in Business

Trade missions are designed to open markets, identify and secure export and investment opportunities for American businesses, and showcase American products and technology around the world. They directly assist exporters, helping them to enter new markets, expand their sales, and create jobs here at home as well as further U.S. commercial and foreign policy objectives.

But because trade missions can only succeed if the American people have full faith and confidence that they are serving the public interest, I promised this Committee during my confirmation hearings that I would put a 30-day moratorium on future missions and undertake a top-to-bottom review of our trade mission procedures shortly after I took the helm at the Commerce Department.

The review is done, the results are in, and I am pleased to say we are back in business better than ever. The result of this process is the first comprehensive written policy governing Commerce's trade missions. The new policy sets forth objective guidelines to ensure that all decisions regarding our trade missions are fully transparent and based on objective criteria.

Moreover, as I promised this Committee, this policy expressly puts political considerations off limits in the trade mission process. The policy expressly prohibits consideration of referrals from political parties or references to political activities. All such correspondence will be returned to the sender -- making it perfectly clear that political activities are simply not relevant to the trade mission process.

Now that we have the roadmap, we will move forward aggressively in using this powerful tool to advance America's commercial interests.

As I have already discussed, our competitors have continued to lead trade missions around the world, securing for their businesses billions in new contracts. We can do no less. Next month, I plan to take my first trade mission to Latin America. I will lead a delegation of both large and small businesses to Brazil, Argentina and Chile. Brazil will include a stop at the Americas Business Forum. I also plan to work closely with our Minority Business Development Agency (MBDA) at Commerce to focus on missions which will help minority and women-owned businesses expand both their opportunities and their presence in the global economy. MBDA, through its trade missions, has already helped over 325 U.S. minority firms establish business relationships in major markets abroad producing over \$295 million in new sales for these firms.

I have chosen Latin America for my first trade mission for very clear reasons. First, it offers almost unlimited commercial opportunities over the coming years in key sectors -- such as telecommunications, environmental technologies, and other infrastructure sectors where American firms are the most competitive in the world. In addition, the trip will allow me to meet with my counterparts in these countries to discuss bilateral market access on issues ranging from intellectual property protection to the use of trade finance. Moreover, it will underscore the commitment of this Administration to the goal of free trade in our Hemisphere by the year 2005. As such, my trip will be an important complement to our efforts with the Congress to secure fast-track negotiating authority to conclude such an agreement.

I am excited about the prospects for my trip: we have received over 150 requests for our new application materials to date. But this Latin American trip is just the first step in a broad program of trade missions we plan to lead in full compliance with our new guidelines. I am personally looking forward to leading missions to critical markets like Canada and China later this year.

The Commercial Service: Our Indispensable Global Network

A second arrow in our trade promotion quiver is our Commercial Service. With offices in over 90 cities around the United States and in the 70 markets around the world that account for 95 percent of American exports, the Commercial Service fields approximately 1,250 highly trained men and women on the ground to deliver ITA's programs and services directly to the business community where they need them the most: in their office at home and in their export market of choice. Commercial Service Officers and Trade Specialists conduct market research, help companies identify best markets for their products, identify agents and distributors, advocate on behalf of American firms overseas, assist with dispute resolution and support a variety of trade events and missions that provide U.S. businesses with a cost-effective way to gain market exposure.

This year, we will complete our nationwide network of 19 U.S. Export Assistance Centers (USEACs) connecting a total of 96 Export Assistance Centers in a "hub and spoke" network. In developing our Export Assistance Center network, we put the needs of the business community first by delivering a comprehensive array of export counseling and trade finance services to U.S. firms -- particularly small and medium-sized enterprises -- right in their own backyards. Working with the Small Business Administration and the Ex-Im Bank, we created "one-stop shops" which bring trade finance and export marketing together under one roof.

Our Export Assistance Centers are also co-located with the States' export promotion agencies, local Chambers of Commerce, and other local export promotion organizations to eliminate duplicative programs, and enhance the quality and delivery of export assistance services. Our centers are not in Federal buildings where most other government agencies are located. Instead, we put them closer to U.S. exporters, locating them in city business districts, industrial parks and other locations where the business of U.S. firms is done. Our trade specialists are also mobile, equipped with laptops, modems and cell phones so that they can deliver our services to clients wherever and whenever it is most convenient for the client. They can log in remotely to the Internet, or our internal E-mail system, while counseling clients to offer timely -- if not instantaneous -- service.

And our new network is paying off. Last year the Commercial Service reported that it had helped nearly 4,000 U.S. firms expand or enter into exporting opportunities, resulting in more than 8,000 export sales. Let me share with you just a few examples of companies that have been able to expand their businesses because the Commerce Department was able to lend a helping hand:

***Carrier Vibrating Equipment, Inc.**, a Louisville, Kentucky-based small manufacturer of vibrating conveyor systems, has seen its exports grow from 10 percent to 30 percent of total sales since 1990 as a result of aggressive marketing and direct assistance from ITA's Louisville*

office. With growing sales in South Korea, China, India and other Pacific Rim countries, the 100 employee company plans to add 15-20 new workers to its payroll.

Crown Products, is an export trading company that handles general grocery lines. Products include canned vegetables and meats, snack foods, condiments, juice, peanut butter, pet foods, plastic wrap, aluminum foil and trash bags. Crown Products success in exporting has been greatly enhanced by the Delta Export Assistance Center located in New Orleans, LA. The Delta EAC has provided the company with trade statistics, trade leads, contacts and market research. The EAC staff was also able to direct Crown Products to our co-located partner, the Small Business Administration which was able to assist Crown Products in attaining a loan. Between January and September 1996, Crown Products entered 10 new markets with sales totaling roughly \$2,000,000 with the help of the Delta EAC.

FCX Systems, Inc., is a Morgantown, West Virginia manufacturer of frequency converters primarily used to power jet airplanes. Company officials met with Wheeling Export Assistance Center trade specialists in February 1996 to identify possible export markets. After conducting extensive market research, the EAC staff contacted the Commercial Section in the American Embassy in New Delhi to help FCX break into the Indian market. As a direct result of this assistance, FCX sold five units worth \$200,000 into India by July 1996. Says FCX President and Chairman of the Board, Don Gallion: "FCX tried on several occasions to enter the Indian market and was getting nowhere. The Wheeling EAC provided us a winning combination of contacts in and information on India that has made our first sale into India a reality."

Bricmont Contractors, Inc., of Murray, Pennsylvania, is a small manufacturer of industrial furnaces. Bricmont first tapped the resources of the Commerce Department in 1992 when it was attempting to bid on a \$10 million project in Mexico. The Mexican company required financing, and Bricmont's competitors --the Germans, Italians and the French -- were all assured financing. Working with Commerce, Bricmont was able to secure the necessary financing through the Ex-Im Bank and TDA was able to provide a \$100,000 training grant to assist Bricmont's bid. Bricmont has since worked with Commerce and other agencies to win \$10 million worth of other contracts in Korea and India. "We would be half our size instead of growing if we hadn't set our sights on foreign markets," said Leon Kulasa, general manager.

Overseas, the Commercial Service has offices located in the markets that account for 95% of American exports. Our Commercial Officers stand ready to assist American companies -- particularly small and medium-sized firms -- seeking to do business internationally. Through our overseas offices, which work closely with our domestic offices to form a global network, the Commercial Service helps new-to-export, new-to-market and experienced firms looking to expand their international sales and market presence. The Commercial Service also leverages its resources and extends its reach through partnerships with other public and private organizations like the Multilateral Development Banks (MDBs), the U.S. Ex-Im Bank, the Overseas Private Investment Corporation, host-country business organizations, and American Chambers of Commerce overseas to enhance U.S. exports.

The Commercial Service, in cooperation with the Agency for International Development (AID), has established a network of American Business Centers (ABCs) in 13 locations in Russia and

the New Independent States. These ABC's provide vital business services -- like telephone, fax, translation, conference and counseling services -- exclusively to U.S. firms. In a ground breaking public-private partnership, eight of these ABCs are run through cooperative agreements with U.S. private sector entities.

Additionally, a major effort of our overseas operations is to get our commercial officers out into the states and provinces that are more and more the centers of economic activity in the Big Emerging Markets.

A new, key area of focus is on how the Commercial Service works to help ensure that U.S. firms are aware of opportunities sponsored by the Multilateral Development Banks. The Service's Multilateral Development Bank Counseling Center assists U.S. firms competing for the \$40 billion in lending commitments made each year by the five Multilateral Development Banks (Asian Development Bank, European Bank for Reconstruction and Development, and African Development Bank, the World Bank, and the Inter-American Development Bank). The MDB Center helps U.S. companies, small, medium, and large, by providing counseling and information services that explain the complicated procurement and bidding rules of the MDBs and by helping U.S. companies determine best prospects and subsequently develop business plans to compete effectively for these best prospects. During the last 2-1/2 years, the MDB Center has helped U.S. companies win over 100 contracts valued at approximately \$1 billion. Examples of recent success stories include:

***Haden Paint Systems**, a small manufacturing company based in Auburn Hills, Michigan, achieved sales of approximately \$20 million of a second paint line to the GAZ manufacturing facility in the Russian Federation. The Commercial Service representative at the European Bank for Reconstruction and Development office in London was instrumental in coordinating EBRD/Ex-ImBank support for this project.*

***Energy Resources International, Inc.**, of Greenbrae, California, won a \$570,000 technical assistance contract to implement the Energy and Environmental Management of the Industrial Development Bank of India project. The Asian Development Bank (ADB) Liaison Office played a critical role in the firm's success, working with Philippine customs and courier services, and negotiating a 24-hour extension to ensure that Energy Resources' proposal reached the proper ADB project officer in time to qualify.*

Providing Aggressive Market Access and Advocacy Support

The third key element of our trade promotion program focuses on market access and advocacy support. These activities are essential in helping U.S. businesses gain access to key markets where playing fields are not level, and where bidding processes, generally controlled by foreign governments, are not open and fully transparent.

Market access support can take many forms, from ensuring that our companies are not blocked from obtaining access to markets guaranteed by formal trade agreements as discussed above, to helping individual companies overcome protectionist roadblocks. In the latter instance, Commerce's country market experts work closely with our industry specialists and our

Commercial Officers at home and abroad to quickly identify these problems, and to develop proactive strategies to overcome them.

One of our most proactive programs focuses on providing advocacy for U.S. firms. Commerce's Advocacy Center acts as the "nerve center" of U.S. government efforts to assist American companies, large and small, win major deals abroad. The Advocacy Center draws on the industry expertise of the Trade Development unit where it is located. Whether it be power generation, telecommunications, transportation, infrastructure or environmental technologies, these industry desks provide the expertise to ensure effective assistance. U.S. government-sponsored advocacy assistance can include a visit to a key foreign official by a high-level U.S. government official, phone calls or letters to foreign decisionmakers by senior U.S. officials, including Commerce and State Department officers stationed in Washington D.C., or U.S. Embassies, Cabinet officers, and where appropriate, the President and Vice President. These officials are mobilized only when a firm comes to us for assistance, and only after the Advocacy Center has determined that U.S. government assistance is needed to help ensure that the contract is awarded based on price and quality.

Like trade missions, I asked that we undertake a similar top-to-bottom review of our advocacy process. That review was just completed, with a strong endorsement of the basic thrust of our efforts. As a result of that review, coupled with a recent review by our Inspector General, we will undertake a number of procedural steps to ensure that our paperwork and bookkeeping efforts on advocacy are fully in order.

Over the past two years, our Advocacy program has resulted in almost 230 projects awarded to American firms, with an estimated total U.S. export content of more than \$36 billion over the life of these projects. Our Advocacy efforts greatly benefit small business both directly and indirectly. To date, 57 contracts have been awarded to small businesses supporting U.S. exports of \$1.8 billion. Additionally, a significant portion of the \$36 billion in U.S. export content supported by our Advocacy efforts was awarded to small businesses which subcontract or act as suppliers. Let me share with you some recent successes:

*In January, 1997, **Northrup Grumman**, in cooperation with Calmaquip Corp., of Miami, Florida, signed a \$12 million contract to modernize and upgrade Peru's air traffic control equipment, with an estimated U.S. export content of \$10 million. The equipment for this project will be sourced from Northrup Grumman's Maryland-based operations. Northrup requested U.S. government advocacy support because it faced intense foreign competition from Italian, Spanish, Canadian, Japanese, British, German and French firms.*

*In September 1996, **Pinnacle Products Inc.** of Fort Lupton, Colorado, signed an agreement with the Hungarian Refrigeration and Air Conditioning Association to supply 150 refrigerant recovery machines and 450 storage cylinders with a total value of \$166,197 as part of an ozone depleting substance reduction program. Pinnacle was initially the apparent low bidder in competition for this contract, and was given verbal and unofficial notification of its successful bid. However, the testing committee informed Pinnacle that the results of tests had disqualified them. The company suspected unfair tactics by a Belgium competitor in inducing this result, and*

in June 1996 turned to the U.S. Department of Commerce's Advocacy Center for assistance. The Advocacy Center notified the U.S.

Embassy's Senior Commercial Officer in Budapest about the problem. As a result of embassy inquiries, the Hungarian authorities agreed to further review the matter which led to the decision to rescind Pinnacle's disqualification.

The Trade Promotion Coordinating Committee and the National Export Strategy

What do our trade missions, the U.S. Export Assistance Centers and the Advocacy Center all have in common? They were all developed by the Trade Promotion Coordinating Committee (TPCC) -- the Clinton Administration's export team. The TPCC, an interagency task force which I chair, is dedicated to thinking strategically about our global competitive position and charged with leveraging and streamlining our export promotion and trade finance services.

Working closely together over the past four years, the TPCC can point to a number of significant milestones in the development of the National Export Strategy:

Reducing potentially trade distorting Tied Aid offers by almost \$5 billion annually;

Significantly liberalizing export controls on high technology products, working with the Bureau of Export Administration to free approximately \$42 billion in exports from licensing requirements;

Launching a process to harmonize the Export Working Capital Programs between the Small Business Administration and the Ex-Im Bank -- resulting in a 45 percent increase in loans made by these agencies; and

- ***Having in place a transparent, cross-cutting federal export promotion budget*** since 1994. We are far ahead of our foreign competitors (and other USG agencies) in this regard. Preliminary estimates suggest that we have assisted about \$68 billion in exports with an overall expenditure of about \$3 billion.

Last year, in our fourth annual report to Congress, the TPCC laid out the first government-wide plan to counter foreign competitive practices -- especially the scourge of bribery and corruption, which costs U.S. companies billions of dollars in lost contracts. To counter transnational bribery and corruption, the TPCC agencies are working through multilateral fora including the Organization of American States and the Organization for Economic Cooperation and Development to develop strong multilateral proscriptions against bribery. Domestically, the Commerce Department amended our Advocacy Guidelines, ensuring for the first time that a U.S. firm's foreign parent or other affiliates are not paying bribes to win a contract for which they have sought U.S. government assistance. Ex-Im Bank and OPIC also strengthened their efforts to counter bribery by amending their certificates. We are in the process of establishing a bribery hotline within the Commerce Department.

Another issue that is a shared TPCC priority is the reauthorization of the trade finance agencies. OPIC and Ex-Im Bank must be reauthorized by Congress before October 1st, and the Trade Development Agency must be reappropriated. The TPCC has put reauthorization and reappropriation of the trade finance agencies among our highest of priorities. The TPCC will be working to make the case that the U.S. export finance programs provide the foundation for expanding our trade abroad and to unilaterally disarm in the face of growing international competition would seriously impact our efforts to create new American jobs through exports.

Also at the top of the TPCC's priority list is the issue of small business. The TPCC is moving ahead with our efforts -- outlined last fall -- to dramatically increase the availability of trade finance for small businesses. Last year, Ex-Im Bank and SBA launched two new initiatives to improve the availability of trade finance for small businesses attempting to export. SBA's program will enable small community banks without in-house international trade finance expertise to expand the short-term credit available to small business exporters, while Ex-Im Bank's program modeled after the home mortgage market will improve export trade receivable financing. Both agencies are moving ahead with implementation.

(3) Encouraging Small and Medium-sized Businesses to Explore Export Markets

Indeed, our focus within Commerce and in the TPCC on helping small businesses take advantage of exporting opportunities comes from our concern that small businesses -- the engine of economic growth in the United States -- could be exporting much more than they do. Small and medium-sized enterprises (SMEs) are very important to the U.S. economy. Today, more than 99 percent of all businesses in the United States are small firms and 96 percent of U.S. exporting companies were small or medium-sized firms. They employ more than half of the U.S. workforce and account for half of our gross domestic product. But even with that kind of impact on our economy, we believe that an "export gap" exists for small businesses, especially when you consider that small firms contribute about 24 percent of total U.S. manufactures, but only about 12 percent of exports. Our office of Trade and Economic Analysis is tracking small business exports to see if we are improving on our performance.

Over the last few years, we have conducted a number of policy roundtables and a resource survey on this subject. We have found that the major needs of the small business exporting community fall into a few basic areas: assistance with the specifics of how to market overseas and complete export transactions; timely and specific market intelligence; quality overseas business contacts; trade finance support which I mentioned; and help dealing with increased costs and risks of exporting.

Many small businesses do not have a long-range export strategy. Some have never even investigated their export potential because of the size of our domestic market, real and perceived complexities of exporting, limited executive time to focus on exporting, and lack of experience and knowledge of the exporting process and the array of existing federal, state, and local export assistance programs. The fact is, some of the most creative innovations are emerging from small

businesses and the more we can expose them to opportunities around the world, the more they will grow and as they grow, our families and communities will be strengthened.

Our Programs Aimed Directly at Helping Small Businesses.

The dedicated men and women at the Department of Commerce strive every day to meet the particular needs of small businesses. I would like to share with you some of the innovative and exciting programs we have targeted to help small firms meet their exporting potential.

The International Trade Administration provides companies with the latest in exporting assistance and information. Our Trade Information Center (TIC) functions as the central point of contact for any firm across the country interested in obtaining information on the entire array of Federal export promotion and finance programs. By dialing 1-800-USA-TRADE, small firms can speak with one of our expert International Trade Specialists or be connected with a comprehensive fax-on-demand automated marketing information system. The TIC's fax-on-demand system is accessible 24 hours a day, offering easy access to export assistance. ITA has established other fax-on-demand and Internet services to provide firms with the most current commercial information on the most promising markets and regions around the world. These include NAFTA countries, Latin America, Russia and the CIS, Central and Eastern Europe and Asia.

These fax-on-demand systems are very popular with the business community, handling some 130,000 inquiries last year, and providing callers with almost one million marketing information documents. The centers are increasingly employing an Internet presence to reach even more business clients quickly and efficiently, with several posting current market data and specific business opportunities on a daily basis. These Internet sites are visited by hundreds of companies each day.

Additionally, in FY 1996, ITA's industry experts provided to 92,000 firms, predominantly SMEs, detailed information and analysis on foreign market conditions and opportunities, general advice on exporting, and advocacy assistance to pursue specific contracts, export financing, industry trends, tariffs, regulations, business and cultural practices. This unique industry information is found nowhere else inside or outside of the government. This information is especially useful to industry groups that include a high concentration of small businesses such as the environmental technologies area.

We are also forging ahead to establish a worldwide set of U.S. Commercial Centers in key emerging markets. These Centers act as a "home away from home" for small and medium-sized business exporters. Strategically located outside of U.S. embassies in the heart of the business districts, Commercial Centers are closer to prospective business partners in the host country and where U.S. companies need to be. The Centers are fully equipped with offices, meeting, conference and exhibition space, phones and computers for businesses, and libraries--a package not available at traditional government offices overseas. The direct access to trade promotion staff and proven services, online product/company locators, up-to-the-minute trade leads and business opportunities, makes the Commercial Centers an alternative to stand-alone business centers. The combination is particularly beneficial for small businesses, for whom cost constraints or availability of counseling pose the biggest hurdles to exporting.

Commercial Centers also represent a model for public-private partnerships. In addition to federal trade promotion agencies, Commercial Centers are physically designed to share space with state export development agencies, industry associations, and other strategic partners. The Centers represent highly integrated business networks that leverage resources and extend the range of state-federal support available in one location. The Commercial Centers also work closely with the American Chambers of Commerce and other key private sector partners overseas to ensure that government functions complement rather than compete with services provided by American private-sector entities.

We have consistently chosen Big Emerging Markets countries that offer the most promising business opportunities as Commercial Center sites, selecting cities that represent a major, existing or rapidly emerging commercial hub for the entire economic region. Commercial Centers have been established in Sao Paulo, Jakarta and most recently in Shanghai.

These are but a few examples of our small business efforts. In addition, to help underscore my personal commitment to helping these firms, I will be leading a trade mission for small businesses to Canada in the summer, to help them capitalize on opportunities with our closest neighbor and largest trading partner.

(4) Using Commercial Relationships to Support Our Foreign Policy Goals

My fourth priority as Secretary of Commerce will be to align our trade policy and export promotion priorities with our foreign policy goals. We know from history -- especially the tremendous successes of the Marshall Plan which we commemorate this year -- that international commerce can be an enormously positive force, helping to undergird peace, stability, and democracy through increasing prosperity.

Commercial relationships between the United States and its foreign partners are an increasingly important element of U.S. foreign policy. With the end of the Cold War and the necessary dominance of security concerns leading our foreign policy, economic considerations have reappeared as a major element of foreign policy. From a global point of view, the United States has no real alternative to active participation in the world economic system. We are the largest participant in the world economic order and stand to be the major beneficiary of orderly growth.

A key element of our foreign policy, consistent through many Administrations, has been our leading role worldwide in deterring the proliferation of weapons of mass destruction -- chemical, biological, and nuclear -- and the missiles used to deliver them. The best way to keep sensitive technologies out of the hands of those who would use them to develop these weapons is through multilateral export control regimes that limit the activities of all members. Creating and strengthening these regimes has been one of the highest foreign policy objectives of this Administration, and it is an important part of what we do at Commerce. By pursuing multilateral controls and harmonizing their implementation, the Administration has sought to level the playing field for U.S. trade, thereby enhancing U.S. exporters' ability to engage in legitimate trade and compete worldwide.

From a narrower point of view, commercial relationships can successfully be utilized to further foreign policy objectives on a regional or country basis. Use of foreign commercial policy at this level requires the active involvement of the U.S. private sector. This kind of critical business support bolsters the implementation of foreign policy goals by bringing to bear the skills, products and financial power often necessary to improve the economic well-being of people around the world and to assist in the transition to market-oriented economies. This in turn provides a major contribution to peace, stability and transition to democracy. This perhaps has been most evident with a series of initiatives undertaken by the Commerce Department with our business community to address trouble spots around the world:

In the **Middle East**, we have brought a commercial element to the peace process, to build business ties between the Arabs and Israelis. We also have undertaken region-wide activities, including strong support of the annual MENA (Middle East-North Africa) Economic Summit meetings which bring together hundreds of business and government development officials from throughout the region to strengthen economic and commercial ties and thereby fortify regional political stability as well as further U.S. business interests in this area of critical natural resources.

In **Northern Ireland**, Commerce is working closely with the U.S. business community to provide incentives for the peace process through commercial initiatives. We played a leading role in organizing the landmark 1995 White House Conference on Northern Ireland and the Border Counties of Ireland, and the business conference last fall in Pittsburgh which brought together American and Irish firms, and have organized a series of business missions to introduce U.S. firms to business opportunities in the region. We also operate a business internship program, which has placed over 40 managers from the region with U.S. firms for a three month learning experience of American management methods and techniques.

In **Bosnia and Croatia**, we were given a lead role in cementing the Dayton Peace Accords by rebuilding the war-torn economies. Secretary Brown believed that the involvement of American industry could make a major impact on the restoration of commercial activity, and thereby improve the economic well-being of the people of the region. Since his death a year ago, along with 11 of Commerce's finest public servants and a dozen U.S. industry leaders who shared this vision, we have accomplished much towards this goal -- a bilateral investment treaty has been signed with Croatia and an OPIC agreement with Bosnia, MOUs were reached to provide technical training and other support in such areas as transportation, cargo facilities, and air traffic control, as well as several substantial contracts signed by U.S. companies to assist with the rebuilding of essential services.

In **South Africa**, the Administration's foreign policy goal has been to strengthen the new South Africa by strengthening its economy, and Commerce has been the lead player in reenergizing the U.S. commercial relationship. The tools of accomplishing this rebuilding have been many and varied: a revitalized Commercial Service program and staffing, the recognition of South Africa as one of the world's ten emerging markets, the creation of a U.S. - S.A. Business Development Committee to provide insightful business advice on the commercial environment, and chairing the Trade and Investment Committee of the Binational Commission, which has become the

umbrella forum for the bilateral relationship. Indeed, my first foreign trip, just days after my confirmation, was to South Africa with Vice President Gore to support these important efforts.

(5) Focusing on the Next Generation of Trade Issues

My fifth priority as Secretary is to ensure that we take advantage of the global ambition for trade and begin tackling some of tomorrow's trade challenges. Trade has evolved from simple tariff and quota issues to more sophisticated concerns like transparency, rights of establishment, intellectual property, and the like. The next generation of trade issues already demanding attention are forced technology transfer, standards, electronic commerce and commercial law development.

All nations have a stake in creating a hospitable regulatory environment to govern technology-based transactions; an environment which does not unfairly compromise property rights. During the past decades, many emerging economies in Asia and elsewhere have struggled with the dilemma of how to encourage indigenous technology innovation, acquire foreign technology, and upgrade manufacturing efficiency while still adhering to the rules of fair trade.

Representatives from private industry have complained for years about how negotiators from some countries attempt to condition joint ventures and purchase of equipment with technology licensing, disclosure of proprietary manufacturing processes and support of fundamental research without appropriate conditions and licensing fees. Because these conversations are private, no empirical data exists concerning how pervasive this practice is -- but we clearly know it is a problem -- often a large problem. In the upcoming months, I intend to have the Commerce Department look into some of these issues with considerable input from industry and other stakeholders and assess what, if any, role the Department can play.

On another front, standards and technical barriers to trade are seriously hampering the ability of U.S. firms to compete. Increasingly, access to markets is dictated by sophisticated measurements and testing that too often are incompatible with U.S. standards. Trade experts have indicated that additional exports worth tens of billion of dollars per year could be produced, if we could overcome all technical barriers to trade.

In addition, the European Union (EU) and various other countries have developed well-funded programs to control access to developing countries by influencing metrology and standards development services and by introducing their directives in those countries. And here is a sobering statistic: The United States invests fewer resources worldwide in efforts to gain access to markets through measurements and standards than Germany spends for the same purpose in Guatemala alone.

At Commerce's National Institute of Standards and Technology (NIST), one of their major activities is to coordinate standards and conformity assessment with government agencies and the private sector. NIST's approach is to develop the required measurement methods and international infrastructures; harmonize standards, codes, and regulations in collaboration with the private sector and other parts of the Department, USTR, and the American National Standards Institute; pursue access to markets by assisting our trade partners in converting to the

use of international or American standards, recognizing U.S. accreditation of testing laboratories, establishing and proving equivalence of their measurement system to the U.S. system, provide training to key officials; and work with U.S. industry to overcome specific technical trade barriers.

The establishment of internationally recognized standards in new and emerging market industries will greatly foster and facilitate trade. Promoting interoperability of networks and services to further advance the development of the Global Information Infrastructure is a high priority for the Administration and the Department. Commerce's National Telecommunications and Information Administration (NTIA) actively supports the efforts of U.S. industry to advance acceptance at the international level, through such bodies as the International Telecommunications Union, of voluntary, market driven, and consensus-based standards. In the coming year, NTIA will continue to advance industry's primary role in standards and development and to encourage greater collaboration and an increased pace of acceptance of market-driven standards at the international level. Such efforts will also include working with industry to identify and resolve technical barriers to trade.

The recently concluded WTO Agreement on Basic Telecommunications provides the Administration with a tremendous opportunity to further the development of the Global Information Infrastructure. A majority of the countries that adopted the agreement, including 30 developing countries, agreed to adopt a set of comprehensive pro-competitive regulatory principles. Many of the participating countries have agreed to implement these principles by January 1, 1998. This requirement will involve a major effort even for many developed countries and pose a significant challenge for lesser developed nations.

Successful implementation of these principles provides the U.S. Government with an unprecedented opportunity and a major challenge. As the most competitive telecommunications companies in the world, U.S. companies are in the best position to take advantage of the tremendous new market opportunities that the agreement creates. The benefits for U.S. industry will not be realized, however, unless developing countries have the expertise to fully understand and follow through on their commitments under the WTO agreement.

Working closely with Ambassador Barshefsky and her staff at USTR and through the interagency process, we plan to implement a new initiative that will provide developing nations with the necessary tools and technical resources to develop and implement these pro-competitive regulatory principles. By doing so, Commerce can help to maximize the benefits of the agreement for U.S. industry.

In a related arena, the growth of electronic commerce -- including trade via the Internet -- presents us with new opportunities and challenges. International electronic commerce has enormous potential to stimulate and increase trade by providing U.S. companies and consumers with easier access to goods and services and better methods for conducting business on a global basis.

The Department has been actively involved in a government-wide effort to define the Administration's position on various aspects of international electronic commerce. This work

will provide the basis for engaging industry and foreign governments in a constructive dialogue on the best means of facilitating the expansion of international electronic trade.

We believe that all countries, businesses and consumers can gain from a non-regulatory, market-oriented approach to international electronic commerce. However, we are very aware that a major concern for both businesses and consumers is the lack of a predictable legal environment governing electronic transactions, leading to additional concerns regarding contract enforcement, intellectual property protection, disparate regulations like taxes and standards, privacy, and security.

Indeed, security and authenticity -- both of which depend on strong encryption -- are two elements critical to the growth of electronic commerce. We are well on our way to implementing the President's encryption policy which is designed to balance the competing interests of privacy, electronic commerce, law enforcement, and national security. It will encourage the development of strong encryption products and will not limit what can be used domestically.

Making strong commercial encryption widely available is in the best interest of the United States, and indeed it is inevitable that powerful computers and advanced telecommunications will rapidly lead to the creation of broad electronic networks which will form the basis for communication and commerce in the future. This trend is economically desirable, and protecting the confidentiality and propriety of business information will reduce losses from industrial espionage.

But this increased use of encryption carries with it serious risks for law enforcement and our national security. Our policy provides the needed balance, and does so in close consultation with the private sector and by working with the market, not against it. We pledge to work closely with consumers, industry and foreign governments to identify and remove barriers to the globalization of electronic commerce.

Lastly, commercial law development abroad has become increasingly important to achieving our commercial policy. Countries with stable, transparent, market-oriented legal systems make better trading partners, while improving their own economic potential and political stability.

The Department of Commerce will continue to encourage our trading partners to pursue further liberalization, harmonization and improved enforcement of laws affecting commerce, particularly adoption of modern commercial codes, protection of intellectual property rights, reduction of regulatory interference in business operations and elimination of unfair trade practices and artificial barriers to trade and investment.

In addition to supporting this objective through our participation in WTO accession we hope to expand our support for such reforms through government-to-government technical assistance programs and public-private programs.

Assistance work we have done in the past already has led to a wide variety of improvements in commercial law and practices around the world. Examples include:

Improved laws and administrative practices to protect intellectual property rights in Romania, Russia, Ukraine and elsewhere;

Improved export control systems in Bulgaria, Romania, Poland, as well as Lithuania, Latvia and Estonia (countries we helped to move from being restricted destinations under COCO to founding members of the Wassenaar Arrangement);

Improvements in Vietnam's first commercial code, which we expect to see adopted this year;

Reform of the Polish public procurement law and establishment of a program of professional skills development for contracting officers; and

Improved customs regulations in Latvia and Albania.

Conclusion: Reaffirming Commerce's Role

Mr. Chairman, as you can see, the Department of Commerce with its export promotion expertise, its focus on standards, export controls, telecommunications and intellectual property -- all under one roof -- has the resources and talents to tackle head-on these cutting-edge competitiveness issues. America has much at stake -- nothing less than our future growth and prosperity. Unless we, the policy-makers, business leaders, academics and analysts educate our firms and workers on the benefits of competing in the global economy, our competitors will surely step into the void and take our place while we debate.

1. The BEMs are Argentina, the ASEAN Countries, Brazil, the Chinese Economic Area, India, Mexico, Poland, South Africa, South Korea and Turkey.